

MINUTES OF MEETING

October 18, 2005



The Health Benefits Committee met on Tuesday, October 18, 2005, at the Holiday Inn on the Bay, San Diego, California.

The meeting was called to order at 8:30 a.m. with the following members present:

George Diehr, Chair
Priya Mathur, Vice Chair
Ron Alvarado
James Zerio representing Philip Angelides
Robert Carlson
Rob Feckner
Michael Navarro
Charles Valdes
Nick Smith representing Steve Westly

Other Board members present:

Kurato Shimada Marjorie Berte Tony Oliveira

AGENDA ITEM 2 - ANNOUNCEMENT OF SPECIAL SESSION

The Chair announced that a special session, time certain - 10:00 a.m., would be held upon the conclusion of the Health Benefits Committee meeting, to conduct the Request for Proposal - Pharmacy Benefit Manager for the Self-Funded Plans, Semi-Finalist Interviews and Selection.

AGENDA ITEM 3 – APPROVAL OF SEPTEMBER 20, 2005 HEALTH BENEFITS COMMITTEE MEETING MINUTES

The minutes were approved as presented.

AGENDA ITEM 4 – MEDICARE PART D IMPLEMENTATION

Richard Krolak, Chief, Office of Health Policy and Plan Administration, presented eight Medicare Part D Implementation options for consideration. Staff recommended that the Board adopt Option 8: distribute Medicare Part D Retiree Drug Subsidy (RDS) funds to the State of California in 2007 based on claims experience for prescription drug costs of State RDS-eligible members in

2006; and, use the balance of RDS funds to reduce 2007 premiums for contracting agencies' Medicare Supplemental Plans.

The following people spoke on this item:

Max Turchen, California State Employees' Association, Retiree Board Member.

Mike Richard, California State Employees' Association, Retired Division

Ron Bywater, California Department of Forestry, Firefighters

Steve Larson, City of Garden Grove

Milt Dobkin on behalf of Wilma Krebs, California State University,

Emeritus and Retired Faculty Association

On **MOTION** by Charles Valdes, **SECONDED** and **CARRIED**, the Committee voted to defer this item to the November 2005 meeting.

AGENDA ITEM 5 - PROPOSED AMENDMENTS TO 2006 CCPOA HEALTH BENEFITS PLAN

Richard Krolak, Chief, Office of Health Policy and Plan Administration, presented information on the proposed amendments to the CCPOA Health Benefits Trust Plan (Trust). In early September, CalPERS received a copy of a letter sent to the Department of Personnel Administration from the Trust stating that the Trust had elected the benefit enhancement option under the Medicare Modernization Act. Effective January 1, 2006, CCPOA Trust Medicare eligible members would be required to enroll in a Medicare Part D Prescription Drug Plan (PDP), in which the Trust would implement Medicare Part D. This in turn would decrease the rates for the Medicare plans under the Trust. Staff is still investigating the proposal and recently received a similar proposal from the PORAC Trust Fund. Staff recommended that this item be deferred to the November 2005 meeting, to allow time to explore CalPERS options.

By direction of the Chair, this item was deferred to the November 2005 meeting.

AGENDA ITEM 6 - ASSISTANT EXECUTIVE OFFICER REPORT

Terri Westbrook, Assistant Executive Officer, Health Benefits Branch, had no items to report.

AGENDA ITEM 7 – PROPOSED AGENDA FOR NOVEMBER 15, 2005, HEALTH BENEFITS COMMITTEE MEETING

The proposed agenda for the November 15, 2005, Health Benefits Committee was accepted with the following additions:

- Medicare Part D Implementation
- Proposed Amendments to 2006 CCPOA and PORAC Health Benefits Plans.

AGENDA ITEM 8 – PUBLIC COMMENT

There was no public comment.

The Health Benefits Committee Meeting was adjourned at 10:00 a.m.

The Health Benefits Committee reconvened at 10:10 a.m. into a Special Session to conduct the Request for Proposal - Pharmacy Benefit Manager for the Self-Funded Plans, Semi-Finalist Interviews and Selection. The following members were present:

George Diehr, Chair
Priya Mathur, Vice Chair
Ron Alvarado
James Zerio representing Philip Angelides
Robert Carlson
Rob Feckner
Michael Navarro
Charles Valdes
Nick Smith representing Steve Westly

Other Board members present:

Kurato Shimada Tony Oliveira

Terri Westbrook, Assistant Executive Officer, Health Benefits Branch, presented information relative to the Request for Proposal process prior to the semi-finalist interviews. The Board authorized staff to solicit proposals for the Pharmacy Benefit Manager for the Self-Funded Plans for a term of three years with the option to extend the term for up to two additional one year periods. CalPERS staff scored the technical and financial sections of each proposal that met the minimum qualifications. The highest scoring technical and financial proposals were selected as semi-finalists. Staff then conducted on-site visits to each of the semi-finalists and required each semi-finalist to complete a claims repricing analysis, which scores were added to the technical scores. Staff computed a staff evaluation total score with a maximum of 600 points.

The purpose of the Special Session was for the Health Benefits Committee to interview the four semi-finalists, rank and score each of them, and select a finalist to recommend to the Board. Each semi-finalist would receive points proportionate to their ranking by the Committee. Rank 1 would receive 600 points, rank 2 would receive 450, rank 3 would receive 300 and rank 4 would receive 150. The Committee score would then be added to the staff evaluation total score.

The interviews were conducted in alphabetical order: Caremark, Express Scripts, Medco and Wellpoint. Each semi-finalist made a fifteen-minute presentation to the Committee, followed by a thirty-minute session to respond to questions posed by the Committee.

The Committee heard public comment from the following:
Jo Paulson, President, Retired Public Employees' Association
Milt Dobkin, California State University

On **MOTION** by Rob Feckner, **SECONDED** and **CARRIED**, the Committee recommended ranking the semi-finalists starting with rank four to rank one.

On **MOTION** by Charles Valdes, **SECONDED** and **CARRIED**, the Committee recommended ranking Caremark as number 4 and gave them a score of 150 points.

On **MOTION** by Robert Carlson, **SECONDED** and **CARRIED**, the Committee recommended ranking WellPoint as number 3 and gave them the score of 300 points.

MOTION by Jim Zerio and seconded, that the Committee rank Medco as number 2 with a score of 450 points.

On substitute **MOTION** by Rob Feckner, **SECONDED** and **CARRIED**, the Committee recommended ranking Express Scripts as number 2 and gave them the score of 450 points.

Jim Zerio voted NO.

On **MOTION** by Charles Valdes, **SECONDED** and **CARRIED**, the Committee recommended ranking Medco as number 1 and gave them the score of 600 points.

Jim Zerio voted NO.

The Request for Proposal – Pharmacy Benefit Manager for the Self-Funded Plans, semi-finalist total scores are:

	Staff Score	Committee Score	Total Score
Caremark	448.9	150	598.9
Express Scripts	490.6	450	940.6
Medco	523.9	600	1,123.9
WellPoint	431.7	300	731.7

On **MOTION** by Rob Feckner, **SECONDED** and **CARRIED**, the Committee recommended the selection of Medco as the finalist and further directed staff to begin contract negotiations for RFP number 2004-3521, and that in the event that staff, in its discretion, concludes that negotiations are unsuccessful, staff should begin contract negotiations with the next highest scoring finalist in succession, Express Scripts, until agreement is reached.

The Special Session of the Health Benefits Committee was adjourned at 3:20 p.m.

The next meeting of the Committee is scheduled for November 15, 2005, in Sacramento, California, following adjournment of the Benefits and Program Administration Committee.

FRED BUENROSTRO	
Chief Executive Officer	